

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Crimson
California Pipeline L.P. (PLC-26), for
Authorization of a Restructuring Plan and New
Credit Agreement.

Application 15-06-019
(Filed June 24, 2015)

**PROPOSED DECISION APPROVING RESTRUCTURING PLAN
AND NEW CREDIT AGREEMENT****Summary**

Crimson California Pipeline L.P. seeks approval of its proposal to restructure and simplify the utility's ownership structure and to execute a comprehensive credit agreement. We approve and authorize the proposal and grant authority subject to the terms and conditions herein.

1. Background

Crimson California Pipeline L.P. (Applicant or Crimson), is a California limited partnership authorized to do business in the State of California.¹ Its general partner is Crimson Pipeline, L.P. The general partner of Crimson

¹ Crimson's principal place of business is 3780 Kilroy Airport Way, Suite #400, Long Beach, CA 90806. It is controlled by an individual, John D. Grier, as approved by the Commission in Decision (D.) 10-11-019. Mr. Grier retains control of Crimson under the restructuring proposed herein.

Pipeline, L.P. is Crimson Pipeline Management, Inc. (CPMI), a California corporation.²

Crimson was formed for the specific purpose of owning, operating and managing hydrocarbon pipelines and providing hydrocarbon pipeline transportation services to public customers.

Crimson is a public utility, subject to the Commission's jurisdiction pursuant to Pub. Util. Code § 216. Specifically, Crimson is a pipeline corporation, as defined by Pub. Util. Code § 228, that owns and operates various common carrier crude oil pipeline systems in southern California pursuant to Commission authorization.³

2. Discussion

Crimson has existing authority to encumber its California utility assets pursuant to D.11-12-004, which authorized it to secure a credit agreement with the Bank of Nova Scotia providing for a revolving line of credit up to \$65 million.⁴ In conjunction with its planned restructuring, and as discussed below, Crimson now proposes to replace its existing arrangement with the Bank of Nova Scotia with a new credit agreement and line of credit, which will be extended by a syndicate of lenders to CP Holdings, LLC⁵, and administered by

² CPMI is 100% owned by Crimson Midstream, LLC which is owned 100% by Grier. (See D.10-11-019).

³ See D.05-04-006 in Application (A.) 04-06-002; D.07-12-046 in A.07-10-010 and D.10-12-005 in A.10-08-020.

⁴ See proceeding A.11-08-013.

⁵ CP Holdings, LLC is the parent of Crimson and other operating companies.

Wells Fargo Bank, N.A.⁶ The line of credit will be secured only by non-public utility assets, and no public utility assets of Crimson will be pledged as security or otherwise encumbered as a result of the credit agreement.⁷ Crimson states that the credit agreement is in the public interest because it will release existing liens on public utility assets (i.e., the lien related to the Bank of Nova Scotia line of credit) and will make larger amounts of capital available for Crimson operations.⁸

Crimson represents that it is unaware of any basis on which any person could be, or could claim to have been, injured or otherwise negatively affected by the proposed transaction. Crimson also represents that there will be no adverse impacts upon Crimson's utility operations in California because its pipeline operations will be maintained (i) in a manner consistent with existing authorized uses; (ii) in compliance with all applicable federal, state and local laws; and (iii) in accordance with the rates, terms and conditions currently applicable under existing tariffs.

Section 816⁹ gives the Commission right of supervision, regulation, restriction and control of security transactions involving public utilities. Section 854 requires a public utility to secure prior authorization for any such

⁶ According to the application, the proceeds of the line of credit will be used to discharge existing bank debt, including the existing Bank of Nova Scotia debt secured by public utility assets of Crimson; to make acquisitions of additional pipeline systems, and to inject capital into Crimson.

⁷ Application, at 8.

⁸ Application, at 8.

⁹ All references to Sections are to the Public Utilities Code.

transaction from the Commission. Section 817¹⁰ governs transactions, such as this one, involving a reorganization or readjustment of Crimson's indebtedness, even though Crimson does not immediately contemplate issuance of any utility security or evidence of indebtedness as a result of the restructuring of the utility's ownership structure.¹¹ Rule 3.6(e)¹² sets forth information that must be included in applications to sell, lease or encumber utility rights or to merge or to acquire or control a utility under Sections 851 through 854 of the Pub. Util. Code. Crimson provides a financial statement, a certificate of good standing, exhibits

¹⁰ Section 817 provides, in pertinent part that: A public utility may issue stocks and stock certificates or other evidence of interest or ownership, and bonds, notes, and other evidences of indebtedness payable at periods of more than 12 months after the date thereof, for any one or more of the following purposes and no others: (a) For the acquisition of property; (b) For the construction, completion, extension, or improvement of its facilities; (c) For the improvement or maintenance of its service; (d) For the discharge or lawful refunding of its obligations; (e) For the financing of the acquisition and installation of electrical and plumbing appliances and agricultural equipment which are sold by other than a public utility, for use within the service area of the public utility; (f) For the reorganization or readjustment of its indebtedness or capitalization upon a merger, consolidation, or other reorganization; (g) For the retirement of or in exchange for one or more outstanding stocks or stock certificates or other evidence of interest or ownership of such public utility, or bonds, notes, or other evidence of indebtedness of such public utility, with or without the payment of cash; (h) For the reimbursement of moneys actually expended from income or from any other money in the treasury of the public utility not secured by or obtained from the issue of stocks or stock certificates or other evidence of interest or ownership, or bonds, notes, or other evidences of indebtedness of the public utility, for any of the aforesaid purposes except maintenance of service and replacements, in cases where the applicant has kept its accounts and vouchers for such expenditures in such manner as to enable the commission to ascertain the amount of money so expended and the purposes for which such expenditure was made.

¹¹ Application, at 8, paragraph 5(b)(3).

¹² All references to Rules are to the Commission's Rules of Practice and Procedure.

showing its current and proposed ownership structure, and a proposed credit agreement to satisfy the rule.¹³

Crimson's application should be approved. Approval of the proposed restructuring and new credit agreement will not result in any change with respect to Crimson's existing management or operations. The proposed changes will not encumber any public utility assets. Crimson's application complies with Sections 817 and 854 of the Pub. Util. Code and Rule 3.6 (e).

3. Safety Considerations

Crimson represents that restructuring the utility's ownership structure and executing a comprehensive new credit agreement will not result in any change with respect to (a) the existing management of utility operations, (b) ongoing maintenance of the utility's systems, or (c) the safety and reliability of pipeline services and operations.¹⁴ Crimson indicates that executing a new credit agreement will permit it to release existing liens on public utility assets and will make larger amounts of capital potentially available for Crimson operations in the state. Thus approval will permit Crimson to remain financially viable, which contributes toward sustaining the safety and reliability of its pipeline service and operations.

4. Categorization and Need for Hearing

In Resolution ALJ 176-3360, dated July 23, 2015, the Commission preliminarily categorized this proceeding as ratesetting and preliminarily determined that hearings were not necessary. No protests have been received.

¹³ Application at 9 and Exhibits A-E.

¹⁴ Application, at 6.

Given this status, public hearings are not necessary and it is not necessary to alter the preliminary determinations made in Resolution ALJ 176-3360.

5. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

6. Assignment of Proceeding

Michael Picker is the assigned Commissioner and Patricia B. Miles is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. A notice of the filing of the application appeared in the Daily Calendar on July 1, 2015.
2. There were no protests to this application.
3. A hearing is not required.
4. Crimson is a pipeline corporation and a public utility subject to the Commission's jurisdiction.
5. Crimson's plan to restructure its ownership structure will not result in any change with respect to existing management or its operations or ongoing maintenance of its systems.
6. Crimson's new line of credit arrangement will replace the existing Bank of Nova Scotia line of credit and payoff an existing lien.

Conclusions of Law

1. Crimson has existing authority to encumber its California utility assets pursuant to D.11-12-004.

2. Crimson's new credit arrangement does not require encumbrance of any additional public utility assets.

3. Crimson's financial statement, certificate of good standing and Exhibits filed with the application comply with Sections 817 and 854 of the Pub. Util. Code and Rule 3.6 (e).

4. The application should be granted.

5. This proceeding should be closed.

6. The following order should be effective immediately.

O R D E R

IT IS ORDERED that:

1. Crimson California Pipeline L.P. is authorized to restructure its ownership structure and to replace its existing credit arrangement with the Bank of Nova Scotia with a new credit agreement and line of credit administered by Wells Fargo Bank, N.A.

2. Application 15-06-019 is closed.

This order is effective today.

Dated _____, at San Francisco, California.